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DAN SMOOT

JOHNSON'S TIGHT BUDGET

President Johnson is pushing hard for a 10% income tax surcharge, which Congress refused to enact in 1967. In his January 17, 1968, State of the Union message, the President said:

"The economic outlook for this year is one of steady growth—if we are vigilant.

"True, there are some clouds on the horizon. Prices are rising. Interest rates have passed the peak of 1966; and if there is continued inaction on the tax bill, they will climb higher.

"I warn the nation that this failure to act will sweep us into an accelerating spiral of price increases; a slump in home building; and a continuing erosion of the American dollar.

"This would be a tragedy for every American family . . . .

"We—those of us in the executive branch, in the Congress, and the leaders of labor and business—must do all we can to prevent this misfortune . . . .

"Under the new budget, expenditures for 1969 will increase by $10.4 billion . . . . Virtually all of this expenditure increase represents the extra mandatory cost of our defense efforts, increased interest, or mandatory payments under laws passed by Congress—such as those provided in the Social Security Act of 1967, and to Medicare and Medicaid beneficiaries, veterans, and farmers. With few exceptions, we are holding the fiscal 1969 budget to last year's level, outside of those mandatory and required increases . . . .

"The fiscal 1969 budget has expenditures of approximately $186 billion, with total estimated revenues, including the tax bill, of about $178 billion.

"If the Congress enacts the tax increase, we will reduce the budget deficit by some $12 billion—from about $20 billion in 1968 to $8 billion in 1969.

"This is a tight budget . . . .

"I ask the Congress to . . . act responsibly early this year by enacting the tax surcharge which for the average individual amounts to about a penny out of each dollar's income . . . .

"This must be a temporary measure, which expires in less than two years. Congress can repeal it sooner if the need has passed. But Congress cannot repeal inflation."

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Correction, Mr. President: Congress *can* repeal inflation, by stopping your plunder-and-squander programs which cause inflation.

As I have said before, Lyndon B. Johnson lecturing Congress and the people on the evils of inflation is like a man standing on the tail of a squalling cat, berating the cat for squalling.

People do not cause inflation by spending too much of their own money; government causes it by cheapening the people's money, through an intricate process which has the same effect as dumping counterfeit currency into the money supply; government spends more than it takes in, then borrows to cover the deficits. Banks use the government's debts (bonds) as assets against which new credit and money are issued. The new money thus created is fiat (printing-press) money, backed only by the government's indebtedness.

The irresponsibility and greed of business and labor are not, as the President implies, the reason for rising prices. Labor, as such — that is, working people — has nothing to do with rising prices. Union organizations which monopolize a large segment of the labor supply do, with government help, force wage increases not matched by increases in production. This forces business to raise prices. The burdens of controls, regulations, bookkeeping, legal expense, and taxes which government imposes on business also force business to raise prices. This forcing up of prices adds to inflationary pressures; but government is responsible for the forcing.

Inflation is not caused, as the President implies, by congressional refusal to levy heavier taxes on the people. The people are already taxed too heavily. Middle-class Americans — laborers who make good wages, craftsmen, professional people, businessmen — are the economic mainstays of our nation. They produce the abundance which Johnson says must be distributed to all; they carry the overwhelming burden of taxes.

Johnson says his tax surcharge would represent an insignificant increase "for the average individual . . . about a penny out of each dollar's income."

That is cunning deception. If the total revenue produced by the surcharge were divided by the total number of people with earnings, the per capita average might be 1%. But among those statistical averages are millions who pay *no* federal income tax; millions whose income tax is meager. The bulk of the 10% tax surcharge would fall on the over-taxed middle class.

The federal income tax system is based on a communist principle[1]: it is *progressive*, designed to penalize the most creative and productive people. A man who earns 10 times more than another man does not pay just 10 times more tax (which would be fair); he pays 50 or 100 times as much. Consequently, many are content to ease along in a lower tax bracket. If they exert themselves to earn more, the increased earnings will not be primarily for themselves, but for government to confiscate and give away to others not inclined to exertion. The proposed 10% tax surcharge would aggravate the evil of "progressivism" in taxation: it would bite those who are already most severely bitten.

In millions of Americans below the economic level of the middle class, government welfare has already destroyed the incentive to work and produce. Politicians buy their votes by promising more welfare. As welfare rolls grow, so grows the tax burden on the middle class. When it becomes so heavy that the middle class also loses incentive to work and produce, our economy will turn downward; and America will go the way of England.

Since the beginning of Franklin D. Roosevelt's administration the squandering of tax money has gone up the way a snowball goes down hill — gathering size and momentum all the time. Roosevelt was the most extravagant spender of tax money the nation had ever had. Truman was more extravagant than Roosevelt, because he enlarged Roosevelt's domestic spending and added foreign giveaways. Eisenhower was more extravagant than Truman, because he enlarged Truman's domestic and foreign programs and added some of his own. Kennedy was more extravagant than Eisenhower;

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and Johnson is extravagantly more extravagant than Kennedy.

Keynesian economics (now called "new" economics) holds that inflation is good for the economy, and that national debt is not a liability but an asset because it can be manipulated by government to regulate the economy. Roosevelt and all Presidents since him practiced Keynesian economics, though Roosevelt, Truman, and Eisenhower never publicly admitted it. Under Kennedy and Johnson, Keynesian principles came to be recognized openly as a basis of government's economic and fiscal policies.

But Johnson faces the other way, when demanding more money from taxpayers. Wholly committed to Keynesism, he contradicts economic theories underlying his policies, by predicting "tragedy for every American family" if he does not get additional tax revenue to decrease government's deficits and minimize the rise of the national debt.

Why not reduce government's debts and deficits by *decreasing* spending, rather than by *increasing* taxes? This cannot be done, the President says, because he has presented a "tight budget."

Congress is insisting that spending be reduced before taxes are raised. The President responds with a political challenge: Congress should take the initiative in proposing what to cut, because the executive, the President claims, has already made the "hard choices" by cutting every penny possible from non-defense spending. Congress, also playing politics with taxpayers' money, has thus far displayed no initiative. This is an election year; and neither Congress nor the President wants responsibility for eliminating or substantially reducing billion-dollar handouts to voters.

Yet, the government could give taxpayers a $54.4 billion *tax reduction* this year and still have every penny budgeted for the war and all other defense activities, by merely cutting non-defense spending back to what it was ($51.9 billion a year) at the beginning of the Kennedy administration.

The population has increased 13% since fiscal 1961; federal spending on non-defense activities has increased 101%. Are the people better off or is the nation more prosperous now than in 1961? Of course not! The increase in non-defense spending has been for political purposes — to buy voter support for Lyndon B. Johnson and liberal politicians in Congress.

Though Congress seems in agony over the problem of finding $5 billion or $10 billion that can be trimmed from Johnson's colossal budget, the problem looks easy to me.

Why appropriate $2 billion more for the Office of Economic Opportunity's war on poverty? Far from eliminating the social unrest that causes large-scale Negro riots, the Office of Economic Opportunity's programs (as the record of last summer proves) finance the inciters and schools-of-agitation which cause riots. The OEO's community action programs are designed, (intentionally or not) to inflame Negroes and other "poor," with hatred of the "white power structure" and to train them in getting what they want, not by constructive effort but by disruptive demonstrations and massive violence. Far from combatting poverty, the OEO's activities tend to make poverty a permanent condition among many by giving them just enough tax money (for social agitation, meaningless jobs, or for nothing) to keep them out of gainful employment.

Why spend another $2.1 billion on the President's manpower training program this year? Many of the able-bodied hard-core unemployed (who are *the* object of this program) are unemployed not because they lack skill or training in some specialized occupation, but because they have no concept of working at all — do not even understand the rudimentary principle that an employed person must report on the job at a certain time every working day and stay there until quitting time. Training in this basic understanding of what a job means has always been given by private companies that hire people for such jobs as dishwashing, floorsweeping, truck loading, freight handling, ditch digging, and so on. After learning to work at such jobs, which few like to do but which someone must do, unskilled workers can

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move on to better employment, if they have ability, energy, and ambition. But the federal government's minimum wage laws have thrown thousands of such people out of work.[2] Many a small businessman now sweeps his own office, rather than pay a charwoman the $1.60 an hour required by government's minimum wage laws. If government would repeal the unconstitutional minimum wage laws, everyone of the 500,000 able-bodied hard-core unemployed (whom Johnson says the $2.1 billion manpower-programs are intended to prepare for employment) *could* be gainfully employed in private industry, learning to work and thereby qualifying themselves for more training and better jobs later on.

Many of them would not be at work, of course, because government's welfare programs discourage labor. Why work, when you can get almost as much, as much, or sometimes more "from welfare" for doing nothing? This prompts another question: Why spend the 14 billion tax dollars Johnson has budgeted for fiscal 1969 on welfare grants, medicaid, unemployment pay, and "other health and welfare programs" (*in addition* to the $33 billion which will be spent on Social Security and Medicare)?[3]

Among the millions who will get some of this 14 billion dollars from taxpayers, there are some who are unable to take care of themselves and have no families to help. Why not let the city, county, state governments — or the people where they reside — take care of them, as was the American way from colonial times to 1933? Why can the federal government do it better than anyone else? The federal government cannot, and does not. An enormous part of what is taken away from the people in federal taxes, to be sent back to them as welfare by the federal government, is wasted, lost, or squandered during the round trip, by the gigantic federal bureaucracy. When what is left comes back to the people, it is encumbered with rules and regulations formulated by bureaucrats in Washington who cannot possibly be familiar with local conditions.

Why spend $6 billion more in 1969 on "aid to farmers" as the President proposes to do?[3] Billions (probably well over 150 billions) of tax dollars have been spent for the ostensible purpose of helping America's "small" farmers — operators of small family-size farms. The unconstitutional spending has destroyed the free market for major agricultural commodities and eliminated the freedom and independence of farmers; it has enriched operators of big farming syndicates, wealthy promoters, land speculators, dishonest operators like Billie Sol Estes, and others clever enough to prosper not on the land but on tax money; but it has eliminated millions of small, independent farms which it was supposed to protect. In 1938, when the population of the U.S. was 129 million, there were 7 million farms furnishing employment for 13 million Americans. In 1968, the population is about 203 million, but there are fewer than 3½ million farms providing jobs for fewer than 7 million people.

If the Congress were "vigilant" and acted "responsibly," as the President says, it would not only reject his plea for a tax increase, but would trim his "tight budget" by at least $50 billion and give the people a badly-needed tax reduction.

If this Congress will not do it, let's elect one that will.

FOOTNOTES

(1) Point 2 of a 10-point program, *The Communist Manifesto*, by Karl Marx, Gateway Edition, Henry Regnery Company, Chicago, 1954 (available for 50¢ from American Opinion Bookstores), p. 55

(2) "Expert's View — 'Minimum-Wage Law Has Increased Poverty,'" recent address by Yale Brozen, professor of economics at the University of Chicago, *U.S. News & World Report*, Feb. 5, 1968, p. 72

(3) "Where 186 Billions In U.S. Spending Will Go," *U.S. News & World Report*, Feb. 5, 1968, pp. 34-5

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